



# The President's Daily Brief

*6 July 1973*

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*FOR THE PRESIDENT ONLY*

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

Sihanouk's uncompromising statements yesterday may not actually preclude negotiations. All the parties on the Communist side agree that he must play a central role in reaching a settlement. *(Page 1)*

The Laotian negotiations are at a standstill as Prime Minister Souvanna Phouma waits in the hope that the Communists may soften their demands. *(Page 2)*

The dollar continues to weaken, primarily because the international money managers believe that other currencies, particularly the German mark, are more likely to appreciate in the short term than is the dollar. *(Page 3)*

President Allende's new cabinet continues to reflect the composition of his Marxist political coalition. *(Page 4)*

President Tito has warned his people that he may not be in the public eye as often as in the past. *(Page 5)*

Notes on Rwanda and the Philippines appear on *Page 6*.

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CAMBODIA

The Communists are adhering to their tough negotiating positions. Prince Sihanouk's refusal on July 5 to talk with Washington may not actually preclude negotiations, but shows that he is in no mood to compromise--and all the parties on the Communist side agree that he must play a central role in a settlement. His terms include an end to US military involvement, removal of the Lon Nol government, and acceptance of a government led by himself.

Both Peking and Hanoi have recently reaffirmed their support for these terms, and Moscow, although not as committed to Sihanouk, has recently referred to him positively.

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*Both Sihanouk and the Asian Communist states have presumably been encouraged to stick to their present demands by the expectation that the US combat role will cease next month. They may hope that the US will accept Sihanouk to achieve a truce.*

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LAOS

The Laotian negotiations are at a standstill. Vientiane's chief negotiator Pheng Phongsavan said on Tuesday that he and his Communist counterpart Phoumi Vongvichit agreed that no further progress is possible unless concessions are made on the major political and military differences separating the two sides. Pheng does not expect to meet with Phoumi again "in the next few days" since Prime Minister Souvanna Phouma has no plans "for the time being" to come forward with additional concessions to the Communists.

*Souvanna's self-imposed deadline of July 1 for final agreement has lapsed, but he appears disposed to bide his time in the hope that the Communists will soften their demands.*

## FOR THE PRESIDENT ONLY

## INTERNATIONAL MONETARY DEVELOPMENTS

*The dollar continues to weaken, primarily because international money managers believe that in the short term other currencies, particularly the German mark, are more likely to appreciate than the dollar. To the extent that the money managers act on their belief, it is a self-fulfilling prophecy.*

*Europe's narrow currency band is an inviting target for money managers and speculators. The relatively fixed rates within the band provide the same opportunity for low-risk profit available under the earlier system of world-wide, fixed exchange rates. Because much of the world's liquid assets are in dollars, speculation generally results in dollar sales.*

*The German mark is the currency favored by traders primarily because of its remarkable performance in the last few years. Since December 1966, the appreciation of the mark has been extraordinary--over 60 percent. West Germany's exceptional export earnings--likely to be enhanced by the most recent appreciation--and the government's aggressive anti-inflationary program suggest to money managers and speculators that the mark will probably be revalued again shortly.*

*Although the dollar may show temporary strength when traders take profits or repay dollars borrowed to exchange for other currencies, there is little chance for a sustained recovery in 1973. In traders' minds, the near-term burdens on the dollar--inflation, the psychological impact of continuing domestic political uncertainty, the potential damage to the US balance of payments by agricultural export controls--clearly far outweigh longer-term prospects for balance-of-payments improvement resulting from the dollar's substantial devaluation.*

*The most vulnerable point in the European joint float may be the Danish crown, which has firmly entrenched itself at the bottom of the band amid rumors--officially denied--of impending devaluation. The weakness of the crown is largely due to a rising trade deficit.*

FOR THE PRESIDENT ONLY

CHILE

The new cabinet installed by President Allende yesterday continues to reflect the composition of his Marxist political coalition. Seven new ministers were named and eight retained from the previous cabinet.

Allende called on the ministers to redouble their effort to carry out the coalition's programs and, in particular, to implement a new plan designed to reverse the country's political and economic deterioration.

*The new plan calls for a further extension of state controls including distribution of food and other essential consumer goods by the state.*

*Allende's speech at the swearing in was not conciliatory. He did not address the concerns of the armed forces. Neither was he provocative. He did not reappoint any previously impeached ministers as he had earlier said he would.*

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**YUGOSLAVIA**

In his first major speech in more than two months President Tito warned his people "not to be surprised" if he must devote his time to foreign policy--an implication that he will not be in the public eye as frequently as in the past. He noted that three of the four founders of the nonaligned movement--Nehru, Nasir, and Sukarno--are dead and said that he, as the sole survivor and "main initiator" of nonalignment, has great responsibility for the movement's future.

*The 81-year-old Tito has frequently expressed a desire to limit his role in domestic affairs, and in the fall of 1970 ordered creation of a collective state presidency to ease his burdens. He began to withdraw from internal political discussions earlier this year and has only attended two party sessions since late April.*

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NOTES

Rwanda: Rwanda's National Guard, the country's army, seized control of the government on July 4, claiming that it did so to head off civil war. While the cabinet and national assembly were dismissed and all political activity suspended, President Kayibanda remains in office. His future role is unclear, however. A "National Committee for Peace and Unity" has taken over administration of the country. The coup probably arose from a deadlock between northern and southern tribal factions in the government. Personal rivalries and disagreement over policy toward the country's Tutsi minority are major factors.

Philippines: Local security officials fear that a severe rice and corn shortage in two central provinces may result in rice riots if the situation does not improve. Manila believes the shortage stems in part from the unwillingness of wholesale and retail dealers to sell rice at the government-imposed price ceiling. Local warehouses are empty, and there is speculation that dealers have hidden their stocks in outlying areas. The government is seeking to import at least 400,000 tons of rice to meet domestic requirements between now and November, when the next rice crop is harvested, but so far no contracts have been signed.

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